

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Delta Solid Waste Management Authority		County Delta	
Fiscal Year End 12-31-06		Opinion Date 05-24-07		Date Audit Report Submitted to State 05-25-07			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

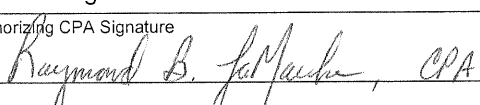
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			Telephone Number 906-786-3111	
Street Address 901 Ludington Street			City Escanaba	State MI
			Zip 49829	
Authorizing CPA Signature 		Printed Name Raymond B. LaMarche, CPA		License Number 1101025531

DELTA SOLID WASTE MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS

December 31, 2006

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ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Delta Solid Waste Management Authority

We have audited the accompanying financial statements of the Delta Solid Waste Management Authority as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delta Solid Waste Management Authority, as of December 31, 2006, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Anderson, Tackman & Company P.C.
Certified Public Accountants

May 24, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Delta Solid Waste Management Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

Business-Type Activities – The Delta Solid Waste Management Authority was incorporated in 1984 for the purpose of providing landfill services to the citizens and local units of government in Delta County. In 1993 the Authority started recycling operations and in 1997 began the Household Hazardous Waste collection program.

- **Net Assets** – The net assets of the Authority increased \$270,831 during the fiscal year due to operating profits of \$284,664 less non-operating revenues and expenses of \$13,833.
- **Operating Income** - The Authority generated \$270,831 in net income for the fiscal year compared to an increase of \$283,845 for 2005.
 - The Authority had operating revenues of \$1,842,468, composed of charges to local units of government (33%), private contractors (33%), corporate accounts (14%), cash sales (12%), recycling income (7%) and miscellaneous charges (1%). All revenue types for fiscal year 2006 were materially consistent with fiscal year 2005
 - Operating expenses amounted to \$1,557,804 during 2006, representing a 5% decrease from the 2005 level of \$1,646,050. The most significant variances comprising this decrease are as follows:
 - Recognition of landfill closure and post-closure care costs recognized in the current year of \$182,800 was significantly less as compared to \$457,000 in the prior year
 - Depreciation expense increase by \$109,881 in the current year;
 - Leachate treatment expenses in the current year increased \$12,829. Leachate expense is a function of rainfall and 2005 was a “dry” year and 2006 had more “typical” moisture levels;
 - Remaining expense categories were fairly consistent with the prior year.
- **Cash Flow** - Converting the operating income to a cash basis requires adjustments for non-cash transactions (principally depreciation and closure and post-closure care costs) which reveals that current year operations produced a decrease in cash of \$35,057, which was primarily due to the purchase of additional land for future landfill expansion.

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements that present the financial position and results of operations for Delta Solid Waste Management Authority on a stand-alone basis.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the Authority's finances is, "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information in a way that helps answer this question. These two statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in them. The Authority's net assets – the difference between assets and liabilities – are one way to measure the financial health, or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors, however, such as changes in the condition of the Authority's facilities and equipment, need to be considered to assess the overall health of the Authority.

FINANCIAL ADMINISTRATION

The Authority's net assets increased by \$270,831.

	<u>2006</u>	<u>2005</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 3,738,005	\$ 3,760,063	\$ (22,058)	-0.6%
Capital assets	<u>3,273,729</u>	<u>3,029,998</u>	<u>243,731</u>	<u>8.0%</u>
Total assets	<u>7,011,734</u>	<u>6,790,061</u>	<u>221,673</u>	<u>3.3%</u>
Current liabilities:				
Other liabilities	3,688,712	3,542,870	145,842	4.1%
Current portion of long-term debt	205,000	195,000	10,000	5.1%
Long-term debt	<u>2,715,000</u>	<u>2,920,000</u>	<u>(205,000)</u>	<u>-7.0%</u>
Total liabilities	<u>6,608,712</u>	<u>6,657,870</u>	<u>(49,158)</u>	<u>-0.7%</u>
Net assets:				
Invested in capital assets, net of related debt	362,540	(85,002)	447,542	-526.5%
Restricted	550,300	488,691	61,609	12.6%
Unrestricted	<u>(509,818)</u>	<u>(271,498)</u>	<u>(238,320)</u>	<u>87.8%</u>
Total net assets	<u>\$ 403,022</u>	<u>\$ 132,191</u>	<u>\$ 270,831</u>	<u>204.9%</u>

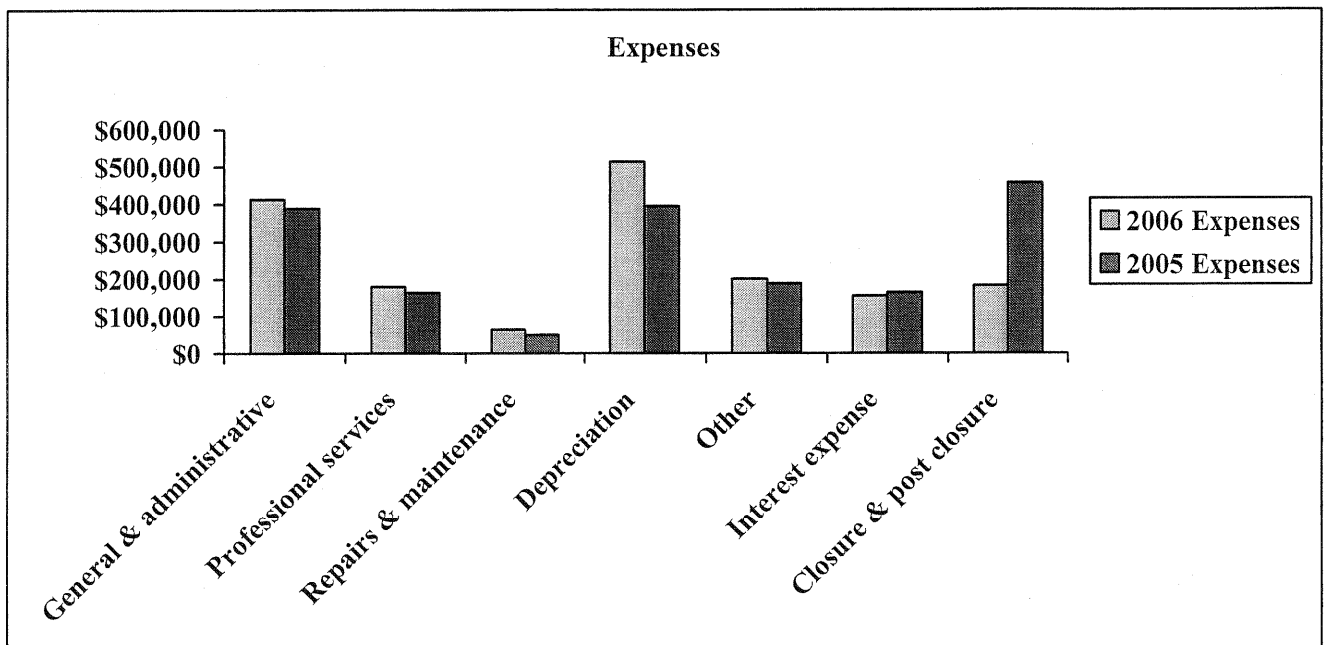
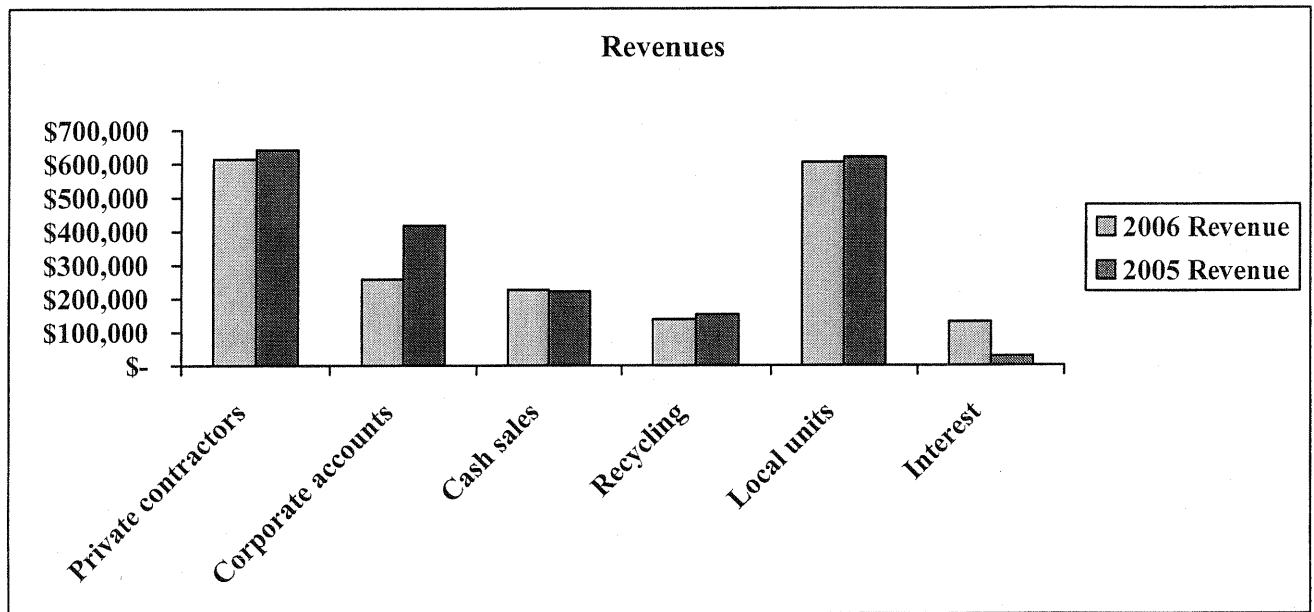
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Authority's net assets increased by \$270,831 during the year due to a combination of two primary factors as follows:

- The Authority paid down \$195,000 of long-term debt, bonds are our only debt.
- The working capital decreased \$45,110 due primarily to land purchases for future landfill expansion.

Business-Type Activities – Categorical Analysis

A comparison of revenue and expense for 2006 and 2005 is presented in the bar charts below.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities – Functional Analysis

In the current year the Authority had net income of \$270,831. The Authority experienced a decrease in operating revenue of approximately 10.5% and a related decrease in operating expenses of 5.9%. The Authority is required to recognize closure and post-closure costs associated with the closing and future monitoring of the landfill. Each year as the capacity of the landfill is reduced, a proportionate amount of the estimated closure and post-closure costs must be recognized in the financial statements of the Authority as an expense. In 2006, closure and post-closure costs of \$182,800 were recognized as an expense in the financial statements. In 2005, closure and post-closure costs of \$457,000 were recognized as an expense in the financial statements.

Closure and post-closure costs have been estimated to be \$1,000,000 and \$3,570,000, respectively. These costs are based on engineering estimates and could change based upon changes in environmental laws, technology and inflation. Of the total \$4,570,000 closure and post-closure care costs, \$3,610,300 or 79% of the total costs have been recognized as of December 31, 2006.

CAPITAL ASSET AND DEBT ADMINISTRATION

- Capital Assets – At December 31, 2006, the Authority has \$3,273,729 invested in a broad range of capital assets including buildings, equipment, and landfill cell construction. The following table presents the changes in the Authority's capital assets compared to last year:

	Balance			Balance
	01/01/06	Additions	Deductions	12/31/06
Business-type Activities:				
Land	\$ 76,674	\$ 608,136	\$ -	\$ 684,810
Buildings & improvements	896,892	-	-	896,892
Landfill cells/improvement	5,945,019	39,142	-	5,984,161
Machinery & equipment	1,349,065	110,421	(53,630)	1,405,856
Leasehold improvements	65,180	-	-	65,180
Accumulated depreciation	(5,302,832)	(513,968)	53,630	(5,763,170)
	<u>\$ 3,029,998</u>	<u>\$ 243,731</u>	<u>\$ -</u>	<u>\$ 3,273,729</u>

In Land above, the \$608,136 addition was land purchased to expand the capacity for future operations of the landfill.

The Machinery & Equipment addition was for vehicles used for the landfill operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

- Debt Administration – At year-end, the Authority had \$2,920,000 in long-term debt related to landfill cell construction and \$3,610,300 in closure and post-closure care costs. The following table presents the changes in the enterprise's long-term debt compared to last year:

	Balance 01/01/06	Additions	Deletions	Balance 12/31/06
Bonds	\$ 3,115,000	\$ -	\$ (195,000)	\$ 2,920,000
Closure & post-closure costs	3,427,500	182,800	-	3,610,300
Total long-term debt	<u>\$ 6,542,500</u>	<u>\$ 182,800</u>	<u>\$ (195,000)</u>	<u>\$ 6,530,300</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Authority could see a downturn in revenue in the upcoming fiscal year given the local economic conditions related to construction activities. Also, the Authority renegotiated ash disposal pricing with the City of Escanaba which will also reduce revenue in 2007. The pricing for different types of waste received are reviewed periodically and adjusted to maintain income above expenses.

Over the last year, the Authority continued to replace equipment on schedule and we have several items planned again for this coming year. Almost every aspect of the landfill and recycling process is highly mechanized and to assure smooth and efficient operations we must continue our program of equipment replacement, rebuilding and upgrades.

The Authority has one last land purchase to make for future landfill expansion. In about four years we must be prepared to close the old landfill footprint and have new cells constructed and ready to receive waste.

The "budget" that the Authority uses is a guideline. It is based upon the last three years of operations and any pertinent facts available at the time. Some revenue and expense items cannot be predicted. Therefore, the Authority chooses to adopt a budget that expects the higher side of expenses and the lower side of revenue. This budget provides for sufficient revenue to maintain all operations, post closure savings and future capitalization expenses.

CONTACTING THE AUTHORITY'S MANAGEMENT

The financial report is designed to provide citizens, taxpayers, customers, regulatory agencies as well as creditors with a general overview of the Delta Solid Waste Management Authority financial activities. If you have any questions about this report or need additional financial information, contact the Authority's manager at P.O. Box 198, Escanaba, MI, 49829, or (906) 786-9056.

DELTA SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2006

ASSETS

Current Assets:

Cash and equivalents:

Cash	\$ 502,607
Certificates of deposit	2,444,758
Accounts receivable	<u>170,677</u>

TOTAL CURRENT ASSETS 3,118,042

Non-Current Assets:

Restricted Assets - Cash:

Perpetual care fund - DEQ	550,300
Capital Assets (Net of accumulated depreciation)	<u>3,273,729</u>

TOTAL NON-CURRENT ASSETS 3,824,029

Other Assets:

Bond issuance and organization costs	171,091
Accumulated amortization	(123,477)
Bond discount	42,750
Accumulated amortization	<u>(20,701)</u>

NET OTHER ASSETS 69,663

TOTAL ASSETS \$ 7,011,734

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 16,564
Accrued bond interest payable	24,156
Current portion of bonds payable	205,000
Current portion of accrued sick and vacation	8,335
Other current liabilities	<u>4,350</u>

TOTAL CURRENT LIABILITIES	<u>258,405</u>
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Long-Term Liabilities (Net of Current Portion):

Bonds Payable	2,715,000
Estimated liability for landfill closure and post-closure care costs	3,610,300
Accrued sick and vacation	<u>25,007</u>

NET LONG-TERM LIABILITIES	<u>6,350,307</u>
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TOTAL LIABILITIES	<u>6,608,712</u>
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Net Assets:

Invested in capital assets, net of related debt	353,729
Restricted for:	
Expendable:	
Closure and post-closure care	550,300
Unrestricted	<u>(501,007)</u>

TOTAL NET ASSETS	<u>403,022</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,011,734</u></u>
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DELTA SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended December, 31, 2006

Operating Revenues	\$ 1,842,468
Operating Expenses:	
General and Administrative:	
Salaries and wages	242,841
Employee benefits	57,841
Payroll taxes	3,426
Pension expense	21,799
Workers compensation	8,677
Bank charges	6,796
Insurance	13,534
Printing and publishing	1,397
Postage	1,837
Telephone	2,938
Utilities	22,405
Travel and entertainment	839
Licenses and permits	8,905
Office supplies	2,056
Training	565
Shop supplies	4,855
Freight	4,731
Operating supplies	7,940
TOTAL GENERAL AND ADMINISTRATIVE	<u>413,382</u>
Professional Services:	
Accounting and auditing	12,820
Engineering services	11,959
Other professional services	3,157
Management fees	151,114
Legal fees	1,064
TOTAL PROFESSIONAL SERVICES	<u>180,114</u>
Repairs and Maintenance:	
Building	24,693
Machinery	27,185
Office equipment	3,610
Small equipment	1,964
Grounds maintenance	6,718
TOTAL REPAIRS AND MAINTENANCE	<u>64,170</u>

See accompanying notes to financial statements.

Depreciation	513,968
Amortization	3,127
Landfill closure and post-closure care costs	182,800
Other:	
Hazardous material program	23,977
Groundwater testing	41,586
Fuel	45,024
Leachate treatment	51,191
Tire recycling	7,250
Escanaba cleanup	6,992
Miscellaneous	24,223
TOTAL OTHER	200,243
TOTAL OPERATING EXPENSES	1,557,804
OPERATING INCOME (LOSS)	284,664
Non-operating Revenues and Expenses:	
Gain on sale of assets	10,250
Interest income	130,983
Interest expense	(155,066)
TOTAL NON-OPERATING REVENUES AND EXPENSES	(13,833)
NET INCOME (LOSS)	270,831
Net assets, beginning of year	132,191
NET ASSETS, END OF YEAR	\$ 403,022

DELTA SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2006

Cash flows from operating activities:	
Cash received from charges for services	\$ 1,822,773
Cash paid for salaries and wages	(319,370)
Cash paid for general expenses	(573,912)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>929,491</u>
Cash flows from capital and related financing activities:	
Purchase of fixed assets	(754,129)
Gain on sale of fixed assets	10,250
Principal payments	(195,000)
Interest paid	(156,651)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,095,530)</u>
Cash flows from investing activities:	
Interest received	<u>130,982</u>
NET INCREASE (DECREASE) IN CASH	(35,057)
Cash, beginning of year	<u>3,532,722</u>
CASH, END OF YEAR	<u><u>\$ 3,497,665</u></u>
Reconciliation of operating loss to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ 284,664</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	517,095
Landfill closure and post-closure costs	182,800
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(19,695)
Increase (decrease) in accounts payable	(39,304)
Increase (decrease) in other current liabilities	(2,606)
Increase (decrease) in accrued sick and vacation	6,537
TOTAL ADJUSTMENTS	<u>644,827</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 929,491</u></u>

See accompanying notes to financial statements.

DELTA SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Reporting Entity - The Authority was incorporated in 1984, pursuant to Act 233, Public Acts of Michigan, 1955, by the County of Delta and local units of government within the county in order to provide a new landfill. Both Act 233 and its Articles of Incorporation authorize the Authority to issue bonds to finance and operate such a landfill. The Authority is similarly authorized to execute a long-term lease of the 80-acre site of the landfill, which is currently owned by the City of Escanaba and leased to the county for use as a landfill. During 1992 the Authority began operating a recycling center pursuant to Act 328, Public Acts of Michigan. A Clean Michigan Community Grant Contract funded the start up costs of the recycling center. The Authority as described herein has no taxing power.

The Authority is governed by a seven-person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities, and one member of the Delta County Board of Commissioners. The three members from the cities are selected by and from a body composed of two representatives from each city; and the member of the Delta County Board of Commissioners is chosen by County Commissioners after review of recommendation by the townships, villages and city representatives.

Basis of Accounting - Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The Authority's policies conform to generally accepted accounting principles as applicable to governmental proprietary funds and as such the funds are accounted for using the accrual basis method of accounting. Under the accrual basis method of accounting revenue is recognized when earned, and expenses when incurred. The Authority applies all GASB pronouncements and FASB Statement and Interpretations, APB Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. When both restricted and unrestricted resources are available for use, it is the Authority's policy to utilize restricted resources first.

Cash - For reporting purposes in the Statement of Cash Flows, cash and cash equivalents include cash on hand, demand deposits and short-term investments with maturities of three months or less. This includes restricted cash.

DELTA SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

Restricted Assets - Restricted cash includes a perpetual care fund with a balance of \$550,300, which the Michigan Department of Environmental Quality mandates as part of its licensure and financial assurance requirements.

Receivables - Receivables are reported at their gross value and are reduced by the direct write-off method when amounts are deemed to be uncollectible.

Fixed Assets - Fixed assets are recorded at cost. Depreciation is charged as an expense against income from operations. Depreciation is computed over the estimated useful lives of the assets on the straight-line method. Accumulated depreciation is adjusted for landfill cells based on the capacity used/available at year-end. The following are the estimated useful lives of the assets:

Buildings	10 - 19 years
Landfill cells/land improvements	5 - 20 years
Furniture	10 years
Vehicles	7 years
Machinery and equipment	7 - 10 years
Leasehold improvements	19 years

Bond Issuance Costs - Bond issuance costs are capitalized and amortized over twenty years.

Bond Discount - Discount on bonds issued is amortized to interest expense using the effective interest method.

Organization Costs - Organization costs are capitalized and amortized over nine years.

Operating Revenues and Expenses - Operating revenues and expenses for the Authority are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DELTA SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE B - CASH DEPOSITS

Cash deposits are recorded at cost. All cash deposits are held in federally insured banks located in the State of Michigan. During the past year, cash balances deposited have exceeded the maximum federally insured deposit levels. Custodial credit risk is the risk that in the event of a bank failure the Authority's deposits may not be returned. At December 31, 2006 the carrying amount of the Authority's cash deposits was \$3,497,347 and the bank balance was \$ 3,502,754. Of the bank balance, \$500,000 was covered by federal deposit insurance and \$3,002,754 was uninsured and uncollateralized. The Authority does not have deposit or investment policies relating to custodial credit risk, however, in the opinion of management, these deposits that exceed federally insured limits are subject to minimal risk.

Michigan Compiled Laws 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, savings and loans associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial rated paper within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

DELTA SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE C - PROPERTY AND EQUIPMENT

The following is a summary of changes in property and equipment:

	Balance 1/1/2006	Additions	Deletions	Balance 12/31/2006
Capital Assets Not Subject to Depreciation:				
Land	\$ 76,674	\$ 608,136	\$ -	\$ 684,810
Capital Assets Subject to Depreciation:				
Buildings and improvements	896,892	-	-	896,892
Landfill cells/land improvements	5,945,019	39,142	-	5,984,161
Furniture	2,803	-	-	2,803
Vehicles	1,134	-	-	1,134
Machinery and equipment	1,345,128	110,421	53,630	1,401,919
Leasehold improvements	65,180	-	-	65,180
Total depreciable capital assets	8,256,156	149,563	53,630	8,352,089
Total capital assets	8,332,830	757,699	53,630	9,036,899
Less accumulated depreciation	(5,302,832)	(513,968)	53,630	(5,763,170)
Net depreciable capital assets	2,953,324	(364,405)	107,260	2,588,919
NET PROPERTY AND EQUIPMENT	\$ 3,029,998	\$ 243,731	\$ 107,260	\$ 3,273,729

NOTE D - RETIREMENT PLAN

In accordance with Section 401(A) of the Internal Revenue Code, the Authority makes available to its employees a qualified defined contribution retirement plan in which DSWMA contributes 8% of the employee's annual base salary rate to the plan, and makes a matching contribution of 3% to an employee's account for each 3% of employee contribution. This plan is offered to all regular full-time employees, regular part-time employees, and part time employees who work a minimum of 1,000 hours per year. Employee salary deferrals and DSWMA contributions are immediately 100% vested. Contribution requirements are established by and may be amended at the discretion of the Authority's Board of Directors. As of December 31, 2006, the Authority had five employees participating in the plan and made contributions totaling \$21,799 and employee contributions of \$19,817.

DELTA SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE E- LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2006:

	1997 General Obligation Limited Tax Bonds	Estimated Liability for Landfill Closure and Post-Closure Care Costs	Compensated Absences	Total
Balance at 01/01/06	\$ 3,115,000	\$ 3,427,500	\$ 26,806	\$ 6,542,500
Additions	-	182,800	6,536	182,800
Reductions	(195,000)	-	-	(195,000)
Balance at 12/31/06	<u>\$ 2,920,000</u>	<u>\$ 3,610,300</u>	<u>\$ 33,342</u>	<u>\$ 6,530,300</u>

The 1997 General Obligation Limited Tax bonds bear interest at rates ranging from 4.75 to 5.0%, with annual maturities ranging from \$165,000 to \$300,000 through November 1, 2017. The bonds are secured by payments to be made to the Authority by Delta County to pay principal and interest, if necessary, pursuant to a contractual agreement between the Authority and Delta County. Delta County is authorized under Public Act 233 to pledge its limited tax full faith and credit for payment of the bonds.

The following summarizes 1997 General Obligation Limited Tax Bond debt service requirements for principal and interest due within the next five years:

Year	Principal	Interest
2007	\$ 205,000	\$ 144,936
2008	220,000	134,943
2009	230,000	124,218
2010	245,000	113,005
2011	260,000	101,000
2012-2016	1,460,000	297,250
2017	300,000	45,000
TOTALS	<u>\$ 2,920,000</u>	<u>\$ 960,352</u>

DELTA SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE E- LONG-TERM DEBT (continued)

Compensated absences - Regular full-time employees of the Authority accumulated sick and vacation benefits based on time of service to the Authority. Accumulated sick and vacation time as of December 31, 2006 amounted to \$33,342.

NOTE F - LETTERS OF CREDIT

At December 31, 2006 the Authority had the flowing letters of credit with Upper Peninsula State Bank and Bay Bank:

<u>Date Issued</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Expiration</u>
1/2/1997	\$ 190,000	9.50%	2/28/2007
1/2/1997	82,800	9.50%	2/28/2007
5/12/1997	152,000	9.50%	1/28/2007
5/12/1997	60,000	9.50%	5/12/2007

There were no outstanding balances on any of these letters of credit as of December 31, 2006.

NOTE G - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws require that the Authority place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to current operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on estimated future closure and post-closure care costs that will be incurred after the date the landfill no longer accepts waste.

The recognition of the annual landfill closure and post-closure care costs is based on the amount of landfill used during the year.

The estimated liability for landfill closure and post-closure care costs has a balance of \$3,610,300 as of December 31, 2006. This amount is based on 79% filled capacity of the landfill for closure of the remaining cells and post-closure care costs, based upon the ratio of filled cells to total filled capacity, including the capacity of cell four constructed in 2002, and the vertical expansion of cell three in 2003.

DELTA SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE G - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS (continued)

It is estimated that an additional \$959,700 will be recognized as closure and post-closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (the year 2011), which includes closure costs of the reconstructed portion of the landfill. The estimated total current cost of the landfill closure and post-closure care (\$4,570,000) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2006. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Cash deposits of \$2,995,058 were available at December 31, 2006 to finance closure and post-closure care. Letters of credit amounting to \$484,800 were also available at December 31, 2006. Possible additional charges to future landfill users may also be used to finance closure and post-closure costs. As of December 31, 2006, the estimated remaining useful life of the landfill is four-and-one-half years.

NOTE H - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority carries commercial insurance for these risks of loss. At December 31, 2006, the Authority had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE I - SUBSEQUENT EVENTS

In 2006, the Authority acquired additional land adjacent to the current facility for future expansion. The Authority is currently going through the permit process with the State of Michigan and anticipates having additional capacity available by the time the current landfill cells have reached their capacity.

NOTE J - RESTRICTED NET ASSETS

Net assets are restricted in the amount of \$550,300 and represent the amount mandated by the Michigan Department of Environmental Quality as part of licensure of the landfill and financial assurance requirements.



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
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Kevin C. Pascoe, CPA

REPORT TO MANAGEMENT

To the Board of Directors
Delta Solid Waste Management Authority

We have audited the general purpose financial statements of the Delta Solid Waste Management Authority for the year ended December 31, 2006, and have issued our reports thereon dated May 24, 2007. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Delta Solid Waste Management Authority. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Delta Solid Waste Management Authority are described in Note A of the financial statements.

No new accounting policies were adopted and the application of existing policies were not changed during the fiscal year. We noted no transaction entered into by the Delta Solid Waste Management Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and expertise about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most significant estimates affecting the Authority's financial statements is the landfill capacity available, depreciable lives of capital assets and the closure and post-closure care costs.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreement with Management

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Delta Solid Waste Management Authority or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Delta Solid Waste Management Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the Delta Solid Waste Management Authority for the year ended December 31, 2006, we considered the Authority's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we noted the engineers estimate for closure and post-closure cost was last performed in July 2003. Because of the significance of this estimate to the financial statements and the capacity changes in the landfill cells, the Authority should have this estimate redone to ensure the closure and post-closure liability is accurately reflected in future periods.

This letter does not affect our report dated May 24, 2007, on the financial statements of the Delta Solid Waste Management Authority.

This information is intended solely for the Authority's Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Certified Public Accountants

May 24, 2007